

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 EUR-12 AGRE-00 STR-04 CEA-01 EB-07
COME-00 TRSE-00 OMB-01 ITC-01 CIAE-00 DODE-00 PM-04
H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
SS-15 USIA-06 /081 W

-----211053Z 125905 /11

P 210955Z JAN 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 5173

C O N F I D E N T I A L SECTION 1 OF 2 MANILA 1096

PASS TO FAS/USDA

E. O. 11652: GDS

TAGS: EPAP, RP

SUBJECT: PHILIPPINE SUGAR SALES CRYSTALLIZE

REF: A) MANILA 796 B) MANILA 0329

BEGIN SUMMARY. PRESIDENT AND MRS. MARCOS HAVE RECENTLY MADE A SERIES OF CONFLICTING AND VAGUE ANNOUNCEMENTS CONCERNING LARGE SALES OF PHILIPPINE SUGAR TO USSR, PRC, U.S. REFINERS, AND EUROPEAN BROKERS. LOCAL BROKERS, GOVERNMENT OFFICIALS AND U.S. REFINERY REPS ARE AS CONFUSED AS THE PRESS REPORTS ABOUT AMOUNTS OF SUGAR INVOLVED AND TIMING AND PRICES OF SALES, BUT IT APPEARS THAT LARGE SALES HAVE IN FACT, TAKEN PLACE OR ARE IN THE OFFING. RENEGOTIATION OF PARTICIPATING CONTRACTS BETWEEN U.S. REFINERIES AND GOP BEGAN THIS WEEK, AND THERE IS SPECULATION THAT TIMING AND CONTENT OF FLURRY OF ANNOUNCEMENTS IS DESIGNED TO PRODUCE A NEGOTIATING CLIMATE FAVORABLE TO GOP BY CREATING THE IMPRESSION THE GOP HAS ATTRACTIVE ALTERNATIVE MARKETS FOR PHILIPPINE SUGAR. END SUMMARY.

1. OVER PAST FEW DAYS MANILA PRESS AND WIRE SERVICES

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HAVE BEEN FILLED WITH ANNOUNCEMENTS OF LARGE SALES OF PHILIPPINE SUGAR ON WORLD MARKET. SO FAR ONLY ONE SALE FOR THIS CROP YEAR TOTALLING 600,000 METRIC TONS TO USSR HAS BEEN PUBLICLY CONFIRMED BY THE PURCHASER. EMBASSY UNDERSTANDS DELIVERY IS TO BE MADE DURING FIRST HALF OF 1977. PRICE OF SUGAR SOLD TO SOVIETS HAS NOT RPT NOT BEEN RELEASED.

2. EMBASSY HAS ALSO OBTAINED TENTATIVE CONFIRMATION FROM LOCAL BROKERS AND A LEADING INDUSTRY REPRESENTATIVE THAT 50,000 METRIC TONS HAVE BEEN SOLD TO PRC FOR DELIVERY THIS YEAR. (REF. B) SOME REPORTS STATE THAT CONTRACT IS FOR 50,000 MT PER YEAR OVER NEXT FOUR YEARS. THIS WOULD EXPLAIN EARLIER REPORT OF 200,000 MT SALE TO PRC WHICH MRS. MARCOS HAD CONCLUDED WHILE SHE WAS IN THE U.S. LAST MONTH. EMBASSY WAS INFORMED THAT BOTH USSR AND PRC SALES CALL FOR CURRENT CROP SUGAR.

3. MARCOS HAS ANNOUNCED THAT PHILIPP BROTHERS, A MINERAL BROKERAGE FIRM WHICH ENTERED THE SUGAR BUSINESS SEVERAL YEARS AGO, HAS OFFERED (AND THE GOP HAS AGREED TO) A SALE OF 700,000 MT AT 12 CENTS A POUND FOR DELIVERY IN 1977. ACCORDING TO TRADE SOURCES, PHILIPP BROTHERS LONDON OFFICE HAS CONFIRMED SALE, WHICH WILL BE SIGNED SHORTLY AND FORMALLY ANNOUNCED NEXT WEEK.

4. PRESIDENT MARCOS STATED JANUARY 19 THAT PRC HAS OFFERED TO BUY AN ADDITIONAL 200,000 TO 400,000 METRIC TONS AT 12 CENTS PER POUND, THE "FRIENDSHIP PRICE". (ACCORDING TO AN EARLIER PRESS REPORT, SUGAR WAS BEING SOLD TO PRC AT FRIENDSHIP PRICES AND PARTIALLY ON A BARTER BASIS: PHILIPPINES WOULD RECEIVE ITS AVERAGE COST OF PRODUCTION, 12 CENTS PER POUND (SIC), AND OIL WOULD BE PROVIDED AT \$7.20 PER BARREL). EMBASSY HAS BEEN UNABLE TO OBTAIN DIRECT CONFIRMATION OF THIS SALE, BUT WELL-CONFIDENTIAL

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INFORMED LOCAL SOURCE BELIEVES SALE HAS OCCURRED OR WILL SHORTLY TAKE PLACE AND INVOLVES 450,000 MT OF SUGAR.

5. MARCOS ALSO INDICATED THAT ANOTHER BROKERAGE HOUSE (AMEROP, WE UNDERSTAND) HAS OFFERED TO BUT STILL ANOTHER 700,000 METRIC TONS. IT IS RUMORED THAT MEROP AND PHILIPPS BROTHERS ARE INVOLVED IN COMPLICATED BARTER DEAL WITH PRC AND USSR, AND THAT TWO SALES OF 700,000 MT EACH ARE TIED IN WITH SALES TO PRC AND USSR WHICH MARCOS ANNOUNCED PREVIOUSLY. ACCORDING TO HTIS STORY, BROKER WOULD PAY GOP 12 CENTS PER POUND FOR CONTRACTED SUGAR IMMEDIATELY, BUT THIS PRICE WOULD BE ADJUSTED ACCORDING TO ACTUAL MARKET PRICE WHEN SUGAR WAS SHIPPED: IF MAKRET PRICE IS ABOVE 12 CENTS, BROKER WILL PAY DIFFERENCE TO GOP; IF MARKET PRICE IS BELOW 12 CENTS BROKER RECEIVES REBATE. GOP WOULD PAY INTEREST ON THE ADVANCE

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FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 5174

C O N F I D E N T I A L SECTION 2 OF 2 MANILA 1096

PASS TO FAS/USDA

PAYMENT, WHICH WOULD BE USED TO EASE VERY DIFFICULT
LIQUIDITY POSITION OF PHILIPPINE NATIONAL BANK (WHICH
OWNS GOP SUGAR STOCKS). A SALE AT THIS PRICE
WOULD ALSO SERVE TO INFLATE WORLD MARKET PRICE.
ADVANTAGES TO BROKER IN SUCH A DEAL ARE NOT RPT NOT
CLEAR.

6. FLURRY OF ANNOUNCEMENTS AND RUMORS COINCIDES WITH
RENEGOTIATION IN MANILA OF PARTICIPATING CONTRACTS
BETWEEN GOP AND SUCREST AND GREAT WESTERN. NEGOTIATIONS
WITH SUCREST BEGAN MONDAY, JANUARY 17, AND
ARE SCHEDULED TO END TODAY, JANUARY 21. NEGOTIATIONS
WITH GREAT WESTERN BEGIN SATURDAY, JAN. 22. PRESIDENT
MARCOS HAS ALSO ANNOUNCED THAT A PARTICIPATING CONTRACT
WILL BE NEGOTIATED WITH NATIONAL REFINERY. LOCAL
REP FOR NATIONAL CONFIRMS THAT DRAFT CONTRACT RESULTED
FROM TALKS WHICH TOOK PLACE WHILE MRS. MARCOS WAS IN
NEW YORK IN DECEMBER. HOWEVER, GOP HAS BEEN UNWILLING
TO SIGN THIS CONTRACT, AND PRESENT GOP CONTRACT TERMS
ARE UNACCEPTABLE TO NATIONAL. NO FURTHER TALKS HAVE
BEEN SCHEDULED.

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7. BEST INFORMATION AVAILABLE INDICATES
THAT GOP IS PRESENTLY PROPOSING PARTICIPATING CONTRACT

TERMS AS FOLLOWS: REFINED PRICE MINUS MARKET PRICE OF
NUMBER 11 SUGAR MINUS ALL COSTS. THE REMAINING
"PROFITS" WOULD BE SPLIT BETWEEN REFINERY AND GOP.
U.S. REFINERIES CONCERNED STATE EMPHATICALLY THAT THIS
FORMULA IS UNREASONABLE BUT MAY BE THE GOP'S "FIRST
POSITION", TO BE MODIFIED DURING CONTRACT NEGOTIATIONS.

8. LOCAL SOURCES (INCLUDING GREAT WESTERN NEGOTIATORS)
BELIEVE TIMING OF PRESIDENT MARCOS' ANNOUNCEMENT OF
SUGAR SALES IS MEANT TO BRING PRESSURE ON U.S.
REFINERIES TO AGREE TO MORE FAVORABLE TERMS IN
PARTICIPATING CONTRACTS BY INDICATING THAT GOP HAS
OTHER ATTRACTIVE MARKETS FOR ITS SUGAR. THERE SEEMS
TO BE NO QUESTION THAT LARGE SALES OF PHILIPPINE
SUGAR HAVE TAKEN PLACE. HOWEVER, CONSENSUS IN MANILA
IS THAT AMOUNTS OF RUMORED SALES AND PRICES ARE
EXAGGERATED AND IMPRESSION IS BEING CREATED, PERHAPS
BY DESIGN, THAT PHILIPPINES NOW ENJOYS SELLER'S MARKET IN SUGAR
AS A RESULT OF GRAND MARKETING MOVES MATERMINDED BY THE
PRESIDENT HIMSELF. WE WILL WAIT FOR THE
DUST TO SETTLE BEFORE WE ANALYZE THE SOTCK SITUATION,
WHICH, OF COURSE, WILL DEPEND ON TIMING OF SHIPMENTS
OF SUGAR.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, SALES, DATA, PRESS COMMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 21-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MANILA01096
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770022-1028
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From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770130/aaaaazyb.tel
Line Count: 194
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Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 300861d3-c288-dd11-92da-001cc4696bcc
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Original Previous Classification: n/a
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Retention: 0
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Review Content Flags:
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Review Exemptions: n/a
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Review Release Date: n/a
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Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3539645
Secure: OPEN
Status: NATIVE
Subject: PHILIPPINE SUGAR SALES CRYSTALLIZE
TAGS: EPAP, RP
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/300861d3-c288-dd11-92da-001cc4696bcc
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